



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

For Immediate Release:

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Oversight Panel to Investigate Housing Scam

The House Financial Services Oversight and Investigations Subcommittee, chaired by Rep. Sue W. Kelly (NY), will hold a hearing in Harlem to examine a U.S. Housing and Urban Development Department (HUD) program plagued by fraud which has left many without the homes they intended to purchase and threatens to leave several residents homeless.

The hearing will be held at 10 a.m. Sept. 10 in the second floor Art Gallery of the Adam Clayton Powell State Office Building (163 West 125th Street, New York, NY).

"The HUD 203(k) program was intended to strengthen communities and improve available housing. Unfortunately, the fraud perpetrated under this program has had a devastating impact on families and the neighborhoods surrounding them," said Rep. Kelly. "The focus of this hearing will be to find out why this was allowed to happen and how to prevent it from ever happening again."

The HUD-insured mortgages - known as Section 203(k) loans - allow individual homeowners and non-profits to purchase and fix up properties. The program has suffered from widespread abuses such as loan "flipping" - whereby investors sell properties, without required repairs, at an inflated price knowing they can collect on the federally insured loans when buyers default.

A slew of bankers, lawyers and real estate agents has been arrested for fraud that has bilked HUD and the taxpayers of an expected loss of \$300 million. Criminal investigations continue and more arrests are expected. The scam has left many residents living in dangerously run-down homes, some without heat or water.

"The situation is all the more disturbing because these funds were meant to provide homes for low-income families and to revitalize struggling communities," said Committee Chairman Michael G. Oxley. "I look forward to working with Secretary Martinez to repair the program."

HUD Inspector General and General Accounting Office reports as far back as July 1996 found the program rife with fraud and in need of reform. Other abuses of the program include landlords pocketing money intended for the rehabilitation of properties.

Although fraud has penetrated the program on many fronts, neighborhoods of Brooklyn, Harlem and the Bronx have faced the brunt of the scam. HUD Secretary Mel Martinez has developed a plan to protect current residents and make needed repairs to the troubled properties in New York City.

The Subcommittee will examine HUD's plan to repair the damaged program and hear from affected residents in the New York City area as well as housing experts on the potential for other neighborhoods to be afflicted by such fraud.

Scheduled to testify are:

Panel I

- Brett Renwick, Section 203(k) loan applicant
- Marla Renwick, Section 203(k) loan applicant
- Whilma Foncette, Section 203(k) loan applicant
- Glorie Browne, Resident, Section 203(k) loan property

Panel II

- John C. Weicher, Assistant Secretary for Housing and FHA Commissioner, HUD
- Stanley J. Czerwinski, Director, Physical Infrastructure, General Accounting Office
- Robert C. Groves, Assistant Inspector General for Investigations, HUD Office of Inspector General

Panel III

- Ruben Medina, Chief Executive Officer, Promesa Systems
- Karen A. Phillips, President and Chief Executive Officer, Abyssinian Development Corporation
- Lydia Tom, Senior Program Director, The Enterprise Foundation
- Jerilyn Perine, Commissioner, New York Department of Housing Preservation and Development

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